

**BOARD OF EDUCATION
UNIFIED SCHOOL DISTRICT NO. 396
Douglass, Kansas**

**Financial Statements
June 30, 2010**

**with
Independent Auditors' Report**

UNIFIED SCHOOL DISTRICT NO. 396
Financial Statements
Year Ended June 30, 2010
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INDEPENDENT AUDITORS' REPORT

Board of Education
Unified School District No. 396
Douglass, Kansas

We have audited the accompanying financial statements of the individual funds of Unified School District No. 396, Douglass, Kansas, as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Kansas Municipal Audit Guide, auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, the District's policy is to prepare its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of each of the various funds of Unified School District No. 396, Douglass, Kansas, as of June 30, 2010, and the revenues received and expenditures paid of such funds for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2010, on our consideration of Unified School District No. 396's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of Unified School District No. 396, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole.

This report is intended solely for the use of the management of Unified School District No. 396 and the Kansas Department of Education and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by Unified School District No. 396, is a matter of public record.

November 8, 2010

Peterson Peterson & Loss, LC

UNIFIED SCHOOL DISTRICT NO. 396
Summary of Cash Receipts, Expenditures and Unencumbered Cash
Year Ended June 30, 2010

Funds	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances	Ending Cash Balance
General	\$ (429,661)	\$ 5,416,200	\$ 5,419,811	\$ (433,272)	\$ 107,491	\$ (325,781)
Special Revenue:						
Supplemental General	(185,779)	1,775,707	1,786,046	(196,118)	40,752	(155,366)
Adult Education	-	2,220	2,220	-	-	-
At Risk (4 yr old)	-	31,666	31,666	-	587	587
At Risk (K - 12)	-	341,091	338,684	2,407	8,197	10,604
Bilingual	-	2,101	2,101	-	-	-
Virtual	-	50,551	50,551	-	-	-
Capital Outlay	438,515	151,783	88,183	502,115	-	502,115
Driver Training	15,566	7,105	6,780	15,891	-	15,891
Food Service	80,001	422,620	422,621	80,000	-	80,000
Professional Development	5,939	12,979	16,990	1,928	-	1,928
Special Education	140,000	909,390	882,069	167,321	1,349	168,670
Vocational Education	-	99,443	99,443	-	-	-
KPERS Retirement Contribution	-	343,885	343,885	-	-	-
Contingency Reserve	411,516	130,460	-	541,976	-	541,976
Textbook Rental	37,313	49,107	23,941	62,479	-	62,479
Recreation Commission	1,791	27,083	28,525	349	-	349
Athletic Gate Receipts	5,297	71,169	74,591	1,875	-	1,875
School Projects	2,547	16,730	14,407	4,870	-	4,870
Wal-Mart Grant	668	-	-	668	-	668
Contributions and Donations	2,437	40,034	38,131	4,340	46	4,386
Other Grants	1,620	6,642	5,351	2,911	-	2,911
Federal Projects:						
Title I	-	95,349	95,349	-	-	-
Title II A Teacher Quality	-	25,298	25,298	-	-	-
Title II Teacher Quality - Distributive Lead	264	-	-	264	-	264
Title II D Ed Tech	-	2,213	2,213	-	-	-
Title III	-	217	217	-	-	-
Drug Free Schools	-	1,992	1,992	-	1,192	1,192

UNIFIED SCHOOL DISTRICT NO. 396
Summary of Cash Receipts, Expenditures and Unencumbered Cash
Year Ended June 30, 2010

Funds	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances	Ending Cash Balance
Debt Service:						
Bond and Interest	\$ 608,271	\$ 597,507	\$ 630,654	\$ 575,124	\$ -	\$ 575,124
Expendable Trust:						
Scholarship	4,718	550	1,500	3,768	-	3,768
Memorial	250	2,689	250	2,689	-	2,689
Piano	1,532	-	85	1,447	-	1,447
Flexible Spending Account	-	59,403	48,450	10,953	-	10,953
Total Primary Government	1,142,805	10,693,184	10,482,004	1,353,985	159,614	1,513,599
Component Unit:						
Recreation Commission:						
General	83,800	77,760	53,682	107,878	-	107,878
Total Reporting Entity	\$ 1,226,605	\$ 10,770,944	\$ 10,535,686	\$ 1,461,863	\$ 159,614	\$ 1,621,477
Composition of Cash:						
Repurchase Agreement						\$ 2,109,732
CornerBank, N.A.:						
Checking Accounts						(613,831)
Checking Account - High School						41,267
Checking Account - Flexible Spending Account						10,953
Component Unit						107,878
Total cash						1,655,999
Agency Funds per Statement 4						(34,522)
Total Reporting Entity (Excluding Agency Funds)						\$ 1,621,477

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
Summary of Expenditures - Actual and Budget
Year Ended June 30, 2010

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment to Comply With Legal Max</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Favorable (Unfavorable)</u>
General	\$ 5,650,433	\$ (230,622)	\$ -	\$ 5,419,811	\$ 5,419,811	\$ -
Special Revenue:						
Supplemental General	1,786,046			1,786,046	1,786,046	-
Adult Education	2,300			2,300	2,220	80
At Risk (4 yr old)	33,215			33,215	31,666	1,549
At Risk (K - 12)	350,000			350,000	338,684	11,316
Bilingual	5,062			5,062	2,101	2,961
Virtual	68,000			68,000	50,551	17,449
Capital Outlay	504,750			504,750	88,183	416,567
Driver Training	18,995			18,995	6,780	12,215
Food Service	495,025			495,025	422,621	72,404
Professional Development	38,110			38,110	16,990	21,120
Special Education	1,036,130			1,036,130	882,069	154,061
Vocational Education	125,310			125,310	99,443	25,867
KPERS Retirement Contribution	381,667			381,667	343,885	37,782
Recreation Commission	28,525			28,525	28,525	-
Debt Service:						
Bond and Interest	630,754			630,754	630,654	100

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Taxes and Shared Revenue:			
Ad valorem property	\$ 392,853	\$ 394,434	\$ 1,581
Delinquent tax	8,587	16,891	8,304
Mineral production tax	1,210	647	(563)
Federal aid:			
ARRA stabilization funds	259,899	259,899	-
State aid:			
Supplemental state aid	4,292,668	4,067,948	(224,720)
Special education aid	695,216	676,381	(18,835)
Total Cash Receipts	<u>5,650,433</u>	<u>5,416,200</u>	<u>(234,233)</u>
Expenditures:			
Instruction (net \$4,900 state aid)	2,216,851	1,879,238	337,613
Student support service (net \$800 federal aid)	201,250	188,104	13,146
Instructional support service	159,980	155,006	4,974
General administration	175,820	271,626	(95,806)
School administration	463,840	455,031	8,809
Operation and maintenance	816,885	703,856	113,029
Student transportation	225,235	234,213	(8,978)
Other support service	134,295	-	134,295
Transfers to:			
Adult Education Fund	-	570	(570)
At Risk (4 yr old) Fund	33,215	31,666	1,549
At Risk (K-12) Fund	350,000	341,091	8,909
Bilingual Fund	5,062	2,101	2,961
Virtual Fund	68,000	50,551	17,449
Capital Outlay Fund	60,000	102,499	(42,499)
Contingency Reserve Fund	-	130,460	(130,460)
Special Education Fund	700,000	833,799	(133,799)
Vocational Education Fund	40,000	40,000	-
Adjustment to comply with legal max	(230,622)	-	(230,622)
Total Expenditures	<u>5,419,811</u>	<u>5,419,811</u>	<u>-</u>

UNIFIED SCHOOL DISTRICT NO. 396
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2010

	Budget	Actual	Variance Over (Under)
Receipts Over (Under) Expenditures	\$ 230,622	\$ (3,611)	\$ (234,233)
Unencumbered Cash, Beginning	-	(429,661)	(429,661)
Unencumbered Cash, Ending	<u>\$ 230,622</u>	<u>\$ (433,272)</u>	<u>\$ (663,894)</u>

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
Supplemental General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Taxes and Shared Revenue:			
Ad valorem property	\$ 519,633	\$ 537,744	\$ 18,111
Delinquent tax	10,455	22,139	11,684
Motor vehicle tax	70,534	71,397	863
Federal aid:			
ARRA stabilization funds	-	286,901	286,901
State aid:			
Supplemental state aid	1,136,140	857,526	(278,614)
Total Cash Receipts	<u>1,736,762</u>	<u>1,775,707</u>	<u>38,945</u>
Expenditures:			
Instruction	986,566	1,239,661	(253,095)
Student support service	25,830	38,501	(12,671)
Instructional support service	86,395	67,996	18,399
General administration	15,810	27,734	(11,924)
School administration	27,800	28,163	(363)
Operation and maintenance	87,715	88,438	(723)
Student transportation	3,610	3,833	(223)
Other support service	64,780	64,676	104
Transfers to:			
Food Service Fund	140,000	83,205	56,795
Professional Development Fund	38,000	12,979	25,021
Special Education Fund	236,130	75,591	160,539
Vocational Education Fund	73,410	55,269	18,141
Total Expenditures	<u>1,786,046</u>	<u>1,786,046</u>	<u>-</u>
Receipts Over (Under) Expenditures	(49,284)	(10,339)	38,945
Unencumbered Cash, Beginning	<u>49,284</u>	<u>(185,779)</u>	<u>(235,063)</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ (196,118)</u>	<u>\$ (196,118)</u>

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
Adult Education Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2010

	Budget	Actual	Variance Over (Under)
Cash Receipts:			
Tuition	\$ 2,300	\$ 1,650	\$ (650)
Transfer from General Fund	-	570	570
Total Cash Receipts	<u>2,300</u>	<u>2,220</u>	<u>(80)</u>
Expenditures:			
Instruction	<u>2,300</u>	<u>2,220</u>	<u>80</u>
Receipts Over (Under) Expenditures	-	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
At Risk (4 yr old) Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Transfer from General Fund	\$ 33,215	\$ 31,666	\$ (1,549)
Expenditures:			
Instruction	<u>33,215</u>	<u>31,666</u>	<u>1,549</u>
Receipts Over (Under) Expenditures	-	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
At Risk (K-12) Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Transfer from General Fund	\$ 350,000	\$ 341,091	\$ (8,909)
Expenditures:			
Instruction	<u>350,000</u>	<u>338,684</u>	<u>11,316</u>
Receipts Over (Under) Expenditures	-	2,407	2,407
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ 2,407</u>	<u>\$ 2,407</u>

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
 Bilingual Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Transfer from General Fund	\$ 5,062	\$ 2,101	\$ (2,961)
Expenditures:			
Instruction	<u>5,062</u>	<u>2,101</u>	<u>2,961</u>
Receipts Over (Under) Expenditures	-	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
Virtual Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Transfer from General Fund	\$ 68,000	\$ 50,551	\$ (17,449)
Expenditures:			
Instruction	<u>68,000</u>	<u>50,551</u>	<u>17,449</u>
Receipts Over (Under) Expenditures	-	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
 Capital Outlay Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Taxes and Shared Revenue:			
Ad valorem property	\$ 2,384	\$ 1,133	\$ (1,251)
Delinquent tax	986	2,054	1,068
Motor vehicle tax	7,095	6,908	(187)
Interest earnings	60,000	16,089	(43,911)
Other	323	23,100	22,777
Transfer from General Fund	60,000	102,499	42,499
Total Cash Receipts	<u>130,788</u>	<u>151,783</u>	<u>20,995</u>
Expenditures:			
Instruction	90,000	-	90,000
Operation and maintenance	2,500	-	2,500
Transportation	90,000	83,981	6,019
Facility acquisition and service	322,250	4,202	318,048
Total Expenditures	<u>504,750</u>	<u>88,183</u>	<u>416,567</u>
Receipts Over (Under) Expenditures	(373,962)	63,600	437,562
Unencumbered Cash, Beginning	<u>438,513</u>	<u>438,515</u>	<u>2</u>
Unencumbered Cash, Ending	<u>\$ 64,551</u>	<u>\$ 502,115</u>	<u>\$ 437,564</u>

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
 Driver Training Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
State aid	\$ 3,050	\$ 1,600	\$ (1,450)
Other	12,200	5,505	(6,695)
Total Cash Receipts	<u>15,250</u>	<u>7,105</u>	<u>(8,145)</u>
Expenditures:			
Instruction	14,995	4,394	10,601
Operation and maintenance	4,000	2,386	1,614
Total Expenditures	<u>18,995</u>	<u>6,780</u>	<u>12,215</u>
Receipts Over (Under) Expenditures	(3,745)	325	4,070
Unencumbered Cash, Beginning	<u>15,566</u>	<u>15,566</u>	<u>-</u>
Unencumbered Cash, Ending	<u><u>\$ 11,821</u></u>	<u><u>\$ 15,891</u></u>	<u><u>\$ 4,070</u></u>

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
Food Service Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2010

	Budget	Actual	Variance Over (Under)
Cash Receipts:			
State aid	\$ 4,503	\$ 4,189	\$ (314)
Federal aid	145,313	147,542	2,229
Charges for services	208,608	187,684	(20,924)
Transfer from Supplemental General Fund	140,000	83,205	(56,795)
Total Cash Receipts	498,424	422,620	(75,804)
Expenditures:			
Food service operation	495,025	422,621	72,404
Receipts Over (Under) Expenditures	3,399	(1)	(3,400)
Unencumbered Cash, Beginning	80,000	80,001	1
Unencumbered Cash, Ending	\$ 83,399	\$ 80,000	\$ (3,399)

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
Professional Development Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Transfer from Supplemental General Fund	\$ 38,000	\$ 12,979	\$ (25,021)
Expenditures:			
Other support service	<u>38,110</u>	<u>16,990</u>	<u>21,120</u>
Receipts Over (Under) Expenditures	(110)	(4,011)	(3,901)
Unencumbered Cash, Beginning	<u>5,939</u>	<u>5,939</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ 5,829</u>	<u>\$ 1,928</u>	<u>\$ (3,901)</u>

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
Special Education Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Transfer from General Fund	\$ 700,000	\$ 833,799	\$ 133,799
Transfer from Supplemental General Fund	236,130	75,591	(160,539)
Total Cash Receipts	<u>936,130</u>	<u>909,390</u>	<u>(26,740)</u>
Expenditures:			
Instruction	938,245	790,489	147,756
Vehicle operating service	97,885	91,580	6,305
Total Expenditures	<u>1,036,130</u>	<u>882,069</u>	<u>154,061</u>
Receipts Over (Under) Expenditures	(100,000)	27,321	127,321
Unencumbered Cash, Beginning	<u>140,000</u>	<u>140,000</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ 40,000</u>	<u>\$ 167,321</u>	<u>\$ 127,321</u>

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
Vocational Education Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Federal aid	\$ 11,900	\$ 4,174	\$ (7,726)
Transfer from General Fund	40,000	40,000	-
Transfer from Supplemental General Fund	73,410	55,269	(18,141)
Total Cash Receipts	<u>125,310</u>	<u>99,443</u>	<u>(25,867)</u>
Expenditures:			
Instruction	125,310	99,443	25,867
Total Expenditures	<u>125,310</u>	<u>99,443</u>	<u>25,867</u>
Receipts Over (Under) Expenditures	-	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
 KPERS Retirement Contribution Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
State aid	\$ 381,667	\$ 343,885	\$ (37,782)
Expenditures:			
KPERS contribution	<u>381,667</u>	<u>343,885</u>	<u>37,782</u>
Receipts Over (Under) Expenditures	-	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
Contingency Reserve Fund
Statement of Cash Receipts and Expenditures - Actual
Year Ended June 30, 2010

	Actual
Cash Receipts:	
Transfer from General Fund	<u>\$ 130,460</u>
Receipts Over (Under) Expenditures	130,460
Unencumbered Cash, Beginning	<u>411,516</u>
Unencumbered Cash, Ending	<u><u>\$ 541,976</u></u>
See notes to financial statements.	

UNIFIED SCHOOL DISTRICT NO. 396
Textbook Rental Fund
Statement of Cash Receipts and Expenditures - Actual
Year Ended June 30, 2010

	<u>Actual</u>
Cash Receipts:	
Textbook rental	\$ 49,107
Expenditures Not Subject to Budget:	
Textbook purchases	<u>23,941</u>
Receipts Over (Under) Expenditures	25,166
Unencumbered Cash, Beginning	<u>37,313</u>
Unencumbered Cash, Ending	<u><u>\$ 62,479</u></u>
See notes to financial statements.	

UNIFIED SCHOOL DISTRICT NO. 396
 Recreation Commission Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Taxes and Shared Revenue:			
Ad valorem property	\$ 22,694	\$ 22,551	\$ (143)
Delinquent tax	494	1,080	586
Motor vehicle tax	3,545	3,452	(93)
Total Cash Receipts	<u>26,733</u>	<u>27,083</u>	<u>350</u>
Expenditures:			
Community service operations	<u>28,525</u>	<u>28,525</u>	<u>-</u>
Receipts Over (Under) Expenditures	(1,792)	(1,442)	350
Unencumbered Cash, Beginning	<u>1,792</u>	<u>1,791</u>	<u>-</u>
Unencumbered Cash, Ending	<u><u>\$ -</u></u>	<u><u>\$ 349</u></u>	<u><u>\$ 350</u></u>

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
Wal-Mart Grant Fund
Statement of Cash Receipts and Expenditures - Actual
Year Ended June 30, 2010

	Actual
Unencumbered Cash, Beginning	<u>\$ 668</u>
Unencumbered Cash, Ending	<u><u>\$ 668</u></u>
See notes to financial statements.	

UNIFIED SCHOOL DISTRICT NO. 396
Contributions and Donations Fund
Statement of Cash Receipts and Expenditures - Actual
Year Ended June 30, 2010

	<u>Actual</u>
Cash Receipts:	
Donations	\$ 40,034
Expenditures Not Subject to Budget:	
Fund expenses	<u>38,131</u>
Receipts Over (Under) Expenditures	1,903
Unencumbered Cash, Beginning	<u>2,437</u>
Unencumbered Cash, Ending	<u>\$ 4,340</u>

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
Other Grants Fund
Statement of Cash Receipts and Expenditures - Actual
Year Ended June 30, 2010

	<u>Actual</u>
Cash Receipts:	
Grant receipts (net \$750 federal aid)	\$ 6,642
Expenditures Not Subject to Budget:	
Fund expenses	<u>5,351</u>
Receipts Over (Under) Expenditures	1,291
Unencumbered Cash, Beginning	<u>1,620</u>
Unencumbered Cash, Ending	<u><u>\$ 2,911</u></u>

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
Federal Projects Fund
Statement of Cash Receipts and Expenditures - Actual
Year Ended June 30, 2010

	Title I	Title II A Teacher Quality	Title II Teacher Quality Distributive Lead	Title II D Ed Tech	Title III	Drug Free Schools
Cash Receipts:						
Federal aid	\$ 78,249	\$ 25,298	\$ -	\$ 640	\$ 217	\$ 1,992
ARRA stabilization funds	17,100	-	-	1,573	-	-
Total cash receipts	95,349	25,298	-	2,213	217	1,992
Expenditures Not Subject to Budget:						
Instruction and supplies	95,349	25,298	-	2,213	217	1,992
Receipts Over (Under) Expenditures	-	-	-	-	-	-
Unencumbered Cash, Beginning	-	-	264	-	-	-
Unencumbered Cash, Ending	\$ -	\$ -	\$ 264	\$ -	\$ -	\$ -

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
Bond and Interest Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2010

	Budget	Actual	Variance Over (Under)
Cash Receipts:			
Taxes and Shared Revenue:			
Ad valorem property	\$ 221,366	\$ 219,294	\$ (2,072)
Delinquent tax	5,167	12,230	7,063
Motor vehicle tax	41,923	38,043	(3,880)
State aid	327,940	327,940	-
Total Cash Receipts	596,396	597,507	1,111
Expenditures:			
Interest	260,654	260,654	-
Commission and postage	100	-	100
Principal	370,000	370,000	-
Total Expenditures	630,754	630,654	100
Receipts Over (Under) Expenditures	(34,358)	(33,147)	1,211
Unencumbered Cash, Beginning	608,270	608,271	1
Unencumbered Cash, Ending	\$ 573,912	\$ 575,124	\$ 1,212

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
Expendable Trust-Scholarship Fund
Statement of Cash Receipts and Expenditures - Actual
Year Ended June 30, 2010

	<u>Actual</u>
Cash Receipts:	
Donations	\$ 550
Expenditures Not Subject to Budget:	
Scholarships	<u>1,500</u>
Receipts Over (Under) Expenditures	(950)
Unencumbered Cash, Beginning	<u>4,718</u>
Unencumbered Cash, Ending	<u><u>\$ 3,768</u></u>

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
Expendable Trust-Memorial Fund
Statement of Cash Receipts and Expenditures - Actual
Year Ended June 30, 2010

	<u>Actual</u>
Cash Receipts:	
Donations	\$ 2,689
Expenditures Not Subject to Budget:	
Memorial expenses	<u>250</u>
Receipts Over (Under) Expenditures	2,439
Unencumbered Cash, Beginning	<u>250</u>
Unencumbered Cash, Ending	<u><u>\$ 2,689</u></u>

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
Expendable Trust-Piano Fund
Statement of Cash Receipts and Expenditures - Actual
Year Ended June 30, 2010

	<u>Actual</u>
Expenditures Not Subject to Budget:	
Repair and equipment acquisition	<u>\$ 85</u>
Receipts Over (Under) Expenditures	(85)
Unencumbered Cash, Beginning	<u>1,532</u>
Unencumbered Cash, Ending	<u>\$ 1,447</u>

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
 Expendable Trust-Flexible Spending Account Fund
 Statement of Cash Receipts and Expenditures - Actual
 Year Ended June 30, 2010

	<u>Actual</u>
Cash Receipts:	
Donations	\$ 59,403
Expenditures Not Subject to Budget:	
Repair and equipment acquisition	<u>48,450</u>
Receipts Over (Under) Expenditures	10,953
Unencumbered Cash, Beginning	<u>-</u>
Unencumbered Cash, Ending	<u><u>\$ 10,953</u></u>
See notes to financial statements.	

UNIFIED SCHOOL DISTRICT NO. 396
 Component Unit
 Recreation Commission - General
 Statement of Cash Receipts and Expenditures - Actual
 Year Ended June 30, 2010

	<u>Actual</u>
Cash Receipts:	
Appropriation	\$ 28,525
Interest earnings	141
Fees	9,812
Jr. Football fees, fundraisers, etc.	31,814
Jr. Cheerleading fees, fundraisers, etc.	<u>7,468</u>
Total Cash Receipts	77,760
 Expenditures:	
Community service operations	21,175
Jr. Football operations	20,884
Jr. Cheerleading operations	<u>11,623</u>
Total Expenditures	<u>53,682</u>
 Receipts Over (Under) Expenditures	24,078
 Unencumbered Cash, Beginning	<u>83,800</u>
 Unencumbered Cash, Ending	<u><u>\$ 107,878</u></u>

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
 School Activity Funds - Agency Funds
 Statement of Cash Receipts and Cash Disbursements - Actual
 Year Ended June 30, 2010

Funds	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Student Organization Funds:				
High School:				
Adventure Club	\$ 257	\$ -	\$ -	\$ 257
Annual Fundraising	-	1,758	1,758	-
Art Club	197	-	-	197
Band Club	2,005	1,390	2,125	1,270
Baseball Fundraising	522	700	644	578
Basketball Fundraising	101	1,454	1,506	49
Cheerleaders - Basketball	389	1,641	1,271	759
Cheerleaders - Football	429	1,643	2,023	49
Cheerleaders - High School	451	5,351	2,644	3,158
Cheerleaders - Wrestling	855	836	906	785
Chorus	7,813	72,849	80,453	209
Class of 2010	4,095	1,778	4,707	1,166
Class of 2011	3,161	14,055	13,522	3,694
Class of 2012	1,068	1,405	44	2,429
Class of 2013	-	5,383	2,941	2,442
Color Guard	3	-	-	3
D - Club	1,926	459	1,020	1,365
Dance Team	12	-	-	12
Dawg Pound	25	-	-	25
Forensics	95	3	-	98
Educational Technology	301	-	-	301
Entrepreneur Class	984	-	243	741
F.C.C.L.A.	812	1,424	1,868	368
Film Club	35	-	-	35
Football Fundraising	467	805	881	391
Girls Basketball Fundraising	-	2,696	2,172	524
Gifted Classes	220	-	-	220
Global Academy	-	2,672	2,672	-
Honor Society	588	-	180	408
Interpersonal Skills	-	-	-	-
Madrigals	490	1,231	1,392	329
Musical	-	2,613	2,613	-
S.A.D.D.	1,244	2,553	2,212	1,585
Scholars Bowl	97	545	528	114
Spirit Shirts	326	855	1,165	16
Student Activities	97	1,407	1,406	98
Student Council	144	2,643	2,312	475
Student Lounge	943	2,739	3,467	215
SWAP	505	651	775	381
Volleyball Fundraising	-	4,160	3,629	531
Weightlifting	4,008	4,752	4,337	4,423
Wrestling Fundraising	-	2,719	2,418	301
Junior High School:				
Cheerleaders	1,683	4,860	4,560	1,983
Honor Society	-	270	98	172
Junior High Activity	2,010	5,900	6,599	1,311
Elementary School:				
Elementary Activity	153	299	10	442
Fifth Grade Activity	588	1,435	1,513	510
Sixth Grade Activity	169	1	67	103
Total	\$ 39,268	\$ 157,935	\$ 162,681	\$ 34,522

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
 District Activity Funds
 Statement of Cash Receipts, Expenditures and Unencumbered Cash
 Year Ended June 30, 2010

Funds	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances	Ending Cash Balance
Athletic Gate Receipts:						
General athletics	\$ -	\$ 2,981	\$ 2,981	\$ -	\$ -	\$ -
Cross country	-	776	776	-	-	-
Volleyball	-	3,270	3,270	-	-	-
Football	-	7,505	7,505	-	-	-
Basketball	-	9,088	9,088	-	-	-
Wrestling	-	4,989	4,989	-	-	-
Track	-	1,809	1,809	-	-	-
Baseball	-	1,891	1,891	-	-	-
Softball	-	2,500	2,500	-	-	-
Tennis	-	350	350	-	-	-
Other	5,297	36,010	39,432	1,875	-	1,875
Total Athletic Gate Receipts	5,297	71,169	74,591	1,875	-	1,875
School Projects:						
Petty cash	-	4,120	4,120	-	-	-
Interest	248	122	118	252	-	252
Staff courtesy fund	41	270	88	223	-	223
Student courtesy fund	2,175	11,470	9,714	3,931	-	3,931
Elementary courtesy fund	83	748	367	464	-	464
Total School Projects	2,547	16,730	14,407	4,870	-	4,870
Total District Activity Funds	\$ 7,844	\$ 87,899	\$ 88,998	\$ 6,745	\$ -	\$ 6,745

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396

Notes to Financial Statements

June 30, 2010

1. Summary of Significant Accounting Policies

This summary of significant accounting policies of Unified School District No. 396 (the District) is presented to assist in understanding the District's financial statements. The financial statements and notes are representations of the District's management, who is responsible for their integrity and objectivity. These accounting policies conform to a comprehensive basis of accounting other than generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Reporting Entity

Unified School District No. 396 is a municipal corporation governed by an elected seven member board. These financial statements present Unified School District No. 396 (the primary government) and its component unit. The component unit is included in the Unified School District's reporting entity because of the significance of its operational and financial relationship with the Unified School District No. 396.

Discretely Presented Component Unit. The component unit section of the financial statements includes the financial data of the discretely presented component unit. This component unit is reported separately to emphasize that it is legally separate from the Unified School District. The governing body of this component unit is appointed by the Unified School District.

Recreation Commission: The Douglass Recreation Commission oversees recreational activities. The Unified School District levies taxes for the recreation commission.

Basis of Presentation

Fund Accounting - A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the District for the fiscal year of 2010:

Governmental Funds

General Fund - to account for all unrestricted resources except those required to be accounted for in another fund.

UNIFIED SCHOOL DISTRICT NO. 396
Notes to Financial Statements
June 30, 2010

1. Summary of Significant Accounting Policies (continued)

Special Revenue Funds - to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditure for specified purposes.

Debt Service Fund - to account for the accumulation of resources for and the payment of, interest and principal on general long-term debt.

Fiduciary Funds

Expendable Trust Funds - to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

Basis of Accounting

The statutory basis of accounting, as used in the preparation of these financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund and an expenditure would be charged in the fund from which the transfer is made.

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable and reservations of the fund balance are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. General fixed assets that account for the land, building and equipment owned by the District are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes and compensated absences are not presented in the financial statements.

Risk Management

The District is exposed to various risks for loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The district carries commercial insurance for all risks of loss.

UNIFIED SCHOOL DISTRICT NO. 396

Notes to Financial Statements

June 30, 2010

2. Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), and debt service funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The Virtual Education Fund was republished in June 2010.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

UNIFIED SCHOOL DISTRICT NO. 396

Notes to Financial Statements

June 30, 2010

2. Budgetary Information (continued)

A legal operating budget is not required for trust funds and the following special revenue funds:

Contingency Reserve
Textbook Rental
Athletic Gate Receipts
Federal Projects
School Projects
Wal-Mart Grant
Contributions and Donations
Other Grants

Spending in funds, which are not subject to the legal annual operating budget requirement, is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

3. Interfund Transfers

Recurring annual transfers between budgetary funds for the purpose of shifting resources from the fund legally required to receive the revenue to the fund authorized to expend the revenue are as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
General Fund	At Risk (4 yr old) Fund	K.S.A. 72-6428	\$ 31,666
General Fund	At Risk (K-12) Fund	K.S.A. 72-6428	341,091
General Fund	Adult Education Fund	K.S.A. 72-6428	570
General Fund	Bilingual Fund	K.S.A. 72-6428	2,101
General Fund	Capital Outlay Fund	K.S.A. 72-6428	102,499
General Fund	Contingency Reserve Fund	K.S.A. 72-6428	130,460
General Fund	Special Education Fund	K.S.A. 72-6428	833,799
General Fund	Vocational Education Fund	K.S.A. 72-6428	40,000
General Fund	Virtual Fund	K.S.A. 72-6428	50,551
Supplemental General Fund	Food Service Fund	K.S.A. 72-6428	83,205
Supplemental General Fund	Professional Development Fund	K.S.A. 72-6428	12,979
Supplemental General Fund	Special Education Fund	K.S.A. 72-6428	75,591
Supplemental General Fund	Vocational Education Fund	K.S.A. 72-6428	55,269

UNIFIED SCHOOL DISTRICT NO. 396

Notes to Financial Statements

June 30, 2010

4. Defined Benefit Pension Plan

The District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefits provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% (Tier 1) and 6% (Tier 2) of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas currently contributes 8.57% of covered payroll. These contribution requirements are established by KPERS and are periodically revised. Kansas' contribution to KPERS for all Kansas public school employees for the years ending June 30, 2010, 2009 and 2008 were \$140,318,394, \$242,277,363 and \$220,815,154 respectively, equal to the required contributions for each year. Remaining balance due from the State for year ending June 30, 2010 of \$108,149,792 was received by July 9, 2010.

5. Compensated Absences

Vacation

After one year of continuous service, the full-time classified staff shall receive ten working days of vacation with pay. Full-time employees working less than 1,951 hours but more than 1,751 hours will receive vacation days as follows: employees working between 1,751 and 1,850 hours will receive eight days of vacation and employees working between 1,851 and 1,950 hours will receive nine days of vacation. Employees with ten years of service will receive 15 days of vacation. Employees working less than 1,950 hours with ten years of service will earn the pro-rated days plus an additional five days. The maximum vacation carry-over will be limited to 5 days.

Upon leaving the District the employee shall be paid for accumulated vacation time at the employee's regular rate of pay. The estimated liability at June 30, 2010, if all employees were to use their accumulated vacation days, would be \$11,086.

UNIFIED SCHOOL DISTRICT NO. 396

Notes to Financial Statements

June 30, 2010

5. Compensated Absences

Sick Leave

Full time employees will be credited with ten days of sick leave on the first day of employment, thereafter employees will receive ten additional days at the beginning of each fiscal year. Twelve month employees will be credited with twelve days of paid leave on the first day of employment, thereafter employees will receive twelve days for each fiscal year. Part-time employees will be credited with a pro-ration of ten days on the first day of employment; thereafter employees will receive a pro-ration of ten additional days. Unused sick leave will be allowed to accumulate to 80 days.

Upon retirement (at minimum age of 55) the employee shall receive termination pay at the rate of forty dollars per day for all accumulated sick leave up to a maximum of forty days. The estimated liability at June 30, 2010, if all the employees were to use their accumulated sick leave, would be \$109,826.

It is the policy of the District to record vacation and sick leave benefits as expenditures when paid, since the likelihood of ever having to pay these maximum amounts is not anticipated or a probable event.

6. Defined Contribution Retirement Plan

The District sponsors an IRC 403(b) defined contribution retirement plan. The plan covers each administrator, teacher and classified employee. Participants are vested based on years of service and a vested percentage ranging from 0% for 1-5 years of service to 100% after 15 years of service with percentage increase by 10% for each year of service starting with the 6th year of service. The District's contribution is \$500 per contract year for each full time classified employee, \$1,000 per contract year for those employees with a bachelor's degree in the area in which they are employed, a district director, teacher or administrator. Contributions will be prorated for employees who work less than full time or less than a full contract year. Eligible employees may voluntarily contribute, from their salary, an amount of their choosing to their employee paid account. Voluntary contributions may not exceed the amount allowed by Federal and State laws.

UNIFIED SCHOOL DISTRICT NO. 396

Notes to Financial Statements

June 30, 2010

7. Early Retirement

The District allows employees to take early retirement, and collect annual payments, subject to certain eligibility requirements. Eligible employees can retire anytime up to age 65, and collect early retirement benefits

Future early retirement benefits at June 30, 2010 are as follows:

<u>June 30,</u>	<u>Benefits</u>	<u>Cost Savings</u>
2011	\$100,129	\$110,862
2012	122,049	155,772
2013	142,163	180,493
2014	147,205	213,292

8. Deposits and Investments

Deposits

At June 30, 2010, the carrying amount of the District's deposits, including the repurchase agreement, was \$1,655,999. The bank statement balance was \$2,161,302. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. Of the bank balance \$500,000 was covered by FDIC insurance and the remaining \$1,155,999 was collateralized by pledged securities held under joint custody receipts issued by third-party banks in the District's name. The third-party banks holding the pledged securities are independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: the District, the pledging bank and the independent third-party bank holding the pledged securities.

Investments

Kansas statutes authorize the District to invest in U.S. Treasury bills and notes, repurchase agreements and the State Municipal Investment Pool. All investments must be insured, registered, or held by the District or its agent in the District's name. The District's investments are categorized to give an indication of the level of risk assumed by the entity at year-end.

UNIFIED SCHOOL DISTRICT NO. 396

Notes to Financial Statements

June 30, 2010

8. Deposits and Investments (continued)

Category 1 includes investments that are insured or registered, or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the dealer bank's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the dealer bank. Of the three risk categories, the investments classified in Risk Category 1 have the least risk to the District.

	Risk Category			Carrying Amount	Market Value
	1	2	3		
Repurchase Agreement	\$ --	\$2,109,732	\$ --	\$2,109,732	\$2,109,732
Total	\$ --	\$2,109,732	\$ --	\$2,109,732	\$2,109,732

9. Operating Leases

The school has a copier lease with South Central Kansas Education Service Center. This lease calls for an annual payment of \$20,900 with any overages being billed at the end of the year.

10. Subsequent Events

The District adopted FASB ASC 855, *Subsequent Events*, effective for financial periods ending after June 15, 2009. The objective of FASB ASC 855 is to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued or available to be issued. Subsequent events have been evaluated through November 8, 2010, which is the date the financial statements were available to be issued. There were no such events identified to be disclosed.

11. Compliance with Kansas Statutes

Management is aware of no statutory violations for the period covered by the audit.

12. Compliance with K.S.A. 72-6417(d) and K.S.A. 72-6424(d)

K.S.A. 72-6417(d) and K.S.A. 72-6434(d) requires the school district to record any payment of general state aid that is due to be paid during the month of June and is paid to the school district after June 30, as a receipt for the school year ending on June 30. The following shows the revenue as required by the Statutes.

UNIFIED SCHOOL DISTRICT NO. 396

Notes to Financial Statements

June 30, 2010

12. Compliance with K.S.A. 6417(d) and K.S.A. 72-6424(d) (continued)

General Fund
Statutory Revenues and Expenditures - Statutory and Budget
For the Year Ended June 30, 2010

	Statutory Transactions	Budget	Variance Favorable (Unfavorable)
Statutory Revenues:			
Taxes and Shared Revenue:			
Ad valorem property	\$ 394,434	\$ 392,853	\$ 1,581
Delinquent tax	16,891	8,587	8,304
Machinery and equipment	-	-	-
Mineral production tax	647	1,210	(563)
Federal aid:			
ARRA stabilization funds	259,899	259,899	-
State aid:			
Supplemental state aid	4,071,559	4,292,668	(221,109)
Special education aid	676,381	695,216	(18,835)
Total Statutory Revenues	<u>\$ 5,419,811</u>	<u>\$ 5,650,433</u>	<u>\$ (230,622)</u>
Expenditures:			
Instruction	1,879,238	2,216,851	337,613
Student support service	188,104	201,250	13,146
Instructional support service	155,006	159,980	4,974
General administration	271,626	175,820	(95,806)
School administration	455,031	463,840	8,809
Operation and maintenance	703,856	816,885	113,029
Student transportation	234,213	225,235	(8,978)
Other support service	-	134,295	134,295
Transfers to:			
At Risk (4 yr old) Fund	31,666	33,215	1,549
At Risk (K-12) Fund	341,091	350,000	8,909
Adult Education Fund	570	-	(570)
Bilingual Fund	2,101	5,062	2,961
Capital Outlay Fund	102,499	60,000	(42,499)
Contingency Reserve Fund	130,460	-	(130,460)
Virtual Fund	50,551	68,000	17,449
Special Education Fund	833,799	700,000	(133,799)
Vocational Education Fund	40,000	40,000	-
Adjustment to comply with legal max	-	(230,622)	(230,622)
Total Expenditures	<u>\$ 5,419,811</u>	<u>\$ 5,419,811</u>	<u>\$ -</u>
Statutory Revenues Over (Under) Expenditures	-		
Modified Unencumbered Cash, July 1, 2009	-		
Modified Unencumbered Cash, June 30, 2010	<u>\$ -</u>		

UNIFIED SCHOOL DISTRICT NO. 396
Notes to Financial Statements
June 30, 2010

12. Compliance with K.S.A. 6417(d) and K.S.A. 72-6424(d) (continued)

Supplemental General Fund
Statutory Revenues and Expenditures - Statutory and Budget
For the Year Ended June 30, 2010

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
Statutory Revenues:			
Taxes and Shared Revenue:			
Ad valorem property	\$ 537,744	\$ 519,633	\$ 18,111
Delinquent tax	22,139	10,455	11,684
Motor vehicle tax	71,397	70,534	863
Federal aid:			
ARRA stabilization funds	286,901	-	286,901
State aid:			
Supplemental state aid	844,425	1,136,140	(291,715)
Total Statutory Revenues	<u>\$ 1,762,606</u>	<u>\$ 1,736,762</u>	<u>\$ 25,844</u>
Expenditures:			
Instruction	1,239,661	986,566	(253,095)
Student support service	38,501	25,830	(12,671)
Instructional support service	67,996	86,395	18,399
General administration	27,734	15,810	(11,924)
School administration	28,163	27,800	(363)
Operation and maintenance	88,438	87,715	(723)
Student transportation	3,833	3,610	(223)
Other support service	64,676	64,780	104
Transfers to:			-
Food Service Fund	83,205	140,000	56,795
Professional Development Fund	12,979	38,000	25,021
Special Education Fund	75,591	236,130	160,539
Vocational Education Fund	55,269	73,410	18,141
Total Expenditures	<u>\$ 1,786,046</u>	<u>\$ 1,786,046</u>	<u>\$ -</u>
Statutory Revenues Over (Under) Expenditures			(23,440)
Modified Unencumbered Cash, July 1, 2009	<u>49,285</u>		
Modified Unencumbered Cash, June 30, 2010	<u>\$ 25,845</u>		

UNIFIED SCHOOL DISTRICT NO. 396
Notes to Financial Statements
June 30, 2010

13. Long-term Debt

Changes in long-term liabilities for the District for the year ended June 30, 2010 were as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Net Change</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
General Obligation Bonds:										
School Building - Series 2000	4.75%-7.75%	4/15/2000	\$ 7,000,000	9/20/2020	\$ 315,000	\$ -	\$ 315,000	\$ -	\$ -	\$ 12,206
General Obligation Refunding - Series 2005	3.00 %-5.00%	7/1/2005	6,405,000	9/1/2020	6,185,000	-	55,000	-	6,130,000	248,448
Total General Obligation Bonds:			13,405,000		6,500,000	-	370,000	-	6,130,000	260,654
Capital Leases:										
One to One Laptop Initiative Computers	5.20%	4/20/2007	433,360	4/5/2011	209,336	-	209,336	-	-	78,361
Total Capital Leases			433,360		209,336	-	209,336	-	-	78,361
Total Contractual Indebtedness					6,709,336	-	579,336	-	6,130,000	339,015
Compensated Absences	N/A	N/A	N/A	N/A	129,561	-	-	(8,649)	120,912	-
Total Long-Term Debt					<u>\$ 6,838,897</u>	<u>\$ -</u>	<u>\$ 579,336</u>	<u>\$ (8,649)</u>	<u>\$ 6,250,912</u>	<u>\$ 339,015</u>

Annual Debt Service Requirements

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016-2020</u>	<u>2021-2025</u>	<u>Total</u>
Principal:								
General obligation bonds	\$ 410,000	\$ 425,000	\$ 440,000	\$ 460,000	\$ 500,000	\$ 3,125,000	\$ 770,000	\$ 6,130,000
Interest:								
General obligation bonds	241,472	228,523	214,573	195,922	171,922	479,777	15,402	1,547,591
Total Principal and Interest	<u>\$ 651,472</u>	<u>\$ 653,523</u>	<u>\$ 654,573</u>	<u>\$ 655,922</u>	<u>\$ 671,922</u>	<u>\$ 3,604,777</u>	<u>\$ 785,402</u>	<u>\$ 7,677,591</u>

PETERSON, PETERSON & GOSS, L.C.

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education
Unified School District No. 396
Douglass, Kansas

We have audited the basic financial statements of Unified School District No. 396 as of and for the year ended June 30, 2010, and have issued our report thereon dated November 8, 2010. Our report disclosed that, as discussed in Note 1 to the financial statements, the District prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the District's internal control over financial reporting.

Internal Control Over Financial Reporting (continued)

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education and management of Unified School District No. 396, others within the District, Kansas State Board of Education and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

November 8, 2010

Peterson Peterson & Zoss, LC

PETERSON, PETERSON & GOSS, L.C.

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
Unified School District No. 396
Douglass, Kansas

Compliance

We have audited the compliance of Unified School District No. 396 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Unified School District No. 396 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be, deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education and management of Unified School District No. 396, others within the District, Kansas State Board of Education and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

November 8, 2010

Peterson Peterson & Zoss, LC

UNIFIED SCHOOL DISTRICT NO. 396
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Unified School District No. 396.
2. No significant deficiencies relating to the audit of the financial statements are reported in the report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Unified School District No. 396 were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the report on compliance in accordance with OMB Circular A-133.
5. The auditor's report on compliance of the major federal award programs for Unified School District No. 396 expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in Part C of this schedule.
7. The programs tested as major programs included:

State Fiscal Stabilization Funds – 84.394
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Unified School District No. 396 did not qualify to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCIES

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

UNIFIED SCHOOL DISTRICT NO. 396
Schedule of Expenditures of Federal Awards
Year Ended June 30,2010

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity ID Number	Federal Expenditures	Award Amount by Cluster
U.S. Department of Agriculture:				
Passed-through Kansas Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	3529-3490	\$28,483	
National School Lunch Program	10.555	3530-3500	100,098	
Cash for Commodities	10.555	3530-3500	18,795	
Special Milk	10.556	3230-3020	<u>167</u>	
Total Child Nutrition Cluster				147,542
U.S. Department of Education:				
Passed-through Kansas Department of Education:				
School Preparedness	84.302	3056-3200	750	750
Data Use Grant	84.372	3592-3070	800	800
Title I, Part A Cluster:				
Title I, Low Income	84.010	3532-3520	78,249	
ARRA - Title I, Low Income	84.389	3532-3525	<u>17,100</u>	
Total Title I, Part A Cluster				95,349
Drug Free Schools and Communities	84.186	3795-3100	1,992	1,992
Title II-A, Improving Teacher Quality	84.367	3526-3860	25,298	25,298
Educational Technology State Grants Cluster:				
Title II-D, Technology Literacy	84.318	3233-3040	640	
ARRA - Title II-D, Technology Literacy	84.386	3233-3044	<u>1,573</u>	
Total Educational Technology State Grants Cluster				2,213
ARRA - State Fiscal Stabilization Funds - 2009	84.394	3790-3790	<u>546,800</u>	<u>546,800</u>
Total				<u><u>\$820,744</u></u>

See notes to financial statements

UNIFIED SCHOOL DISTRICT NO. 396
Schedule of Expenditures of Federal Awards
Year Ended June 30,2010

Note 1 - Basis of Presentation

The schedule of expenditures of federal awards is presented using the accounting practice prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, the same as the financial statements accompanying this schedule. The information is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

UNIFIED SCHOOL DISTRICT NO. 396
Summary of Prior Audit Findings
Year Ended June 30,2010

There are no prior audit findings.